

STATE OF WISCONSIN

SENATE CHAIR
Alberta Darling

317 East, State Capitol
P.O. Box 7882
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ASSEMBLY CHAIR
Robin Vos

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: January 21, 2011

Re: DOA Report to JFC

Attached is a report from the Department of Administration pursuant to s. 18.16, Stats.

This report is required by subsection (7) of section 18.16 of the Wisconsin Statutes and specifies the reason for not complying with subsections (2) to (5) of the same section for a specific issue of debt

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:RV:jm



WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
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January 21, 2011

The Honorable Alberta Darling, Senate Chair
The Honorable Robin Vos, Assembly Chair
Joint Committee on Finance
Madison, WI 53702

RECEIVED
JAN 21 2011

BY: *St. Finance*

Dear Senator Darling, Representative Vos, and Members:

This report is required by subsection (7) of section 18.16 of the Wisconsin Statutes and specifies the reason for not complying with subsections (2) to (5) of the same section for a specific issue of debt.

The State of Wisconsin Building Commission has previously approved an authorizing resolution on October 20, 2010 that provided for the sale of \$428,740,000 State of Wisconsin General Obligation Bonds of 2011, Series A **(Bonds)**.

Pursuant to this authorization, the Capital Finance Director conducted a public sale on January 12, 2011 for the Bonds. This public sale was conducted pursuant to Subchapter I of Chapter 18. The attached Official Notice of Sale set the terms and conditions of the sale and was available to all potential bidders.

The State received a total of eight bids for the Bonds and the Capital Finance Director awarded the Bonds to a syndicate managed by J.P. Morgan Securities LLC. This award was based on the lowest true interest cost rate to the State. One of the syndicate members is certified by the Department of Commerce as a minority-owned investment firm, but the firm's participation amount is less than 1%. In addition, no syndicate member is certified by the Department of Commerce as a disabled veteran-owned investment firm.

Underwriting participation by minority- and disabled veteran-owned investment firms is encouraged in competitive sales. There are sections entitled "Minority Participation" and "Disabled Veteran-Owned Business Participation" in the Official Notice of Sale, and a list of certified minority-owned investment firms (which includes contact information) is included in materials made available to each prospective bidder.

Sincerely,

Mike Huebsch
Secretary

\$428,740,000
State of Wisconsin
General Obligation Bonds of 2011, Series A

Book-Running Manager: J.P. Morgan Securities LLC

Co-Managers: De La Rosa & Co.
Estrada, Hinojosa & Company, Inc.
Ramirez & Co., Inc. (*)

(*) Certified by Department of Commerce as a minority-owned investment firm.

OFFICIAL NOTICE OF SALE^(a)
\$428,740,000^(b)
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2011, SERIES A

ELECTRONIC BIDS will be received by the Capital Finance Director, who is authorized to act on behalf of the State of Wisconsin Building Commission (Commission), until 10:00 a.m. (Central Time) on Wednesday, January 12, 2011, for the purchase of \$428,740,000^(b) State of Wisconsin General Obligation Bonds of 2011, Series A (Bonds). The Bonds are being sold pursuant to the terms and conditions stated below. Bids must be submitted through the PARITY[®] electronic bid submission system (PARITY[®]). See "Electronic Bidding".

Terms of Bonds. The Bonds will be dated their date of delivery (expected to be February 2, 2011) and will be payable as to principal on May 1 of each year, in the years and principal amounts as follows:

Year	Principal Amount^(b)	Year	Principal Amount^(b)
2012	\$ 15,340,000	2022	\$ 16,095,000
2013	16,110,000	2023	16,900,000
2014	16,910,000	2024	17,745,000
2015	17,755,000	2025	18,630,000
2016	18,645,000	2026	19,565,000
2017	19,580,000	2027	20,540,000
2018	20,555,000	2028	21,565,000
2019	21,585,000	2029	22,645,000
2020	22,665,000	2030	23,780,000
2021	23,800,000	2031	58,330,000

The Bonds will bear interest, payable on November 1, 2011 and semiannually thereafter on the first day of May and November, at such rate or rates per annum as are designated by the winning bidder. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Bidding Terms. Each bid must specify whether the principal amount of Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond. The mandatory sinking fund payments of each term bond shall be on one or more consecutive annual principal payment dates immediately preceding the maturity date of such term bond. Term bonds may be created with a final maturity either before or after May 1, 2021; however, no term bonds designated to mature on and after May 1, 2022 may contain any sinking fund payments before May 1, 2021. The mandatory sinking fund payment (if any) so specified for any year must be equal to the full principal amount of Bonds listed in the table above as payable in that year. The same interest rate specified for the nominal maturity date of a term bond must also be specified for all mandatory sinking fund payments of such term bond.

A bid must be for all the Bonds. Each bid must indicate a purchase price for the Bonds and an interest rate for each maturity. Only one interest rate per maturity is allowed, and it must be a multiple of 0.05%.

The purchase price for the Bonds shall be not less than 98.5% of the par amount of the Bonds (\$422,308,900). The initial offering price of the Bonds maturing on or after May 1, 2022 shall not be less than 98.5% of the par amount of such Bonds.

^(a) The Capital Finance Director reserves the right, before the time bids are due, to modify or amend this Official Notice of Sale, including but not limited to changing the sale date and time, aggregate par amount, principal amounts, redemption provisions, and bidding terms. See "Right to Modify or Amend Notice of Sale".

^(b) The Capital Finance Director may, after selection of the winning bid, adjust the final principal amount of any or all maturities, or mandatory sinking fund payments, which could change the aggregate par amount of the Bonds. See "Adjustment of Principal Amounts and Purchase Price".

Each bid must include the initial reoffering price at which the bidder reasonably expects to sell each maturity of the Bonds to the general public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) (**Public**), and the winning bidder must agree that each maturity of the Bonds will be offered to the Public at such price. In the interest of price transparency in the market, the State of Wisconsin (**State**) encourages the winning bidder to promptly disseminate the initial reoffering prices for all maturities of the Bonds without the use of "NRO".

Optional Redemption. The Bonds maturing May 1, 2012 through May 1, 2021, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on or after May 1, 2022 may be redeemed on May 1, 2021 or any date thereafter, in whole or in part, in multiples of \$5,000, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and the Capital Finance Director, on behalf of the Commission, shall direct the amounts and maturities of the Bonds to be redeemed.

Mandatory Sinking Fund Redemption. In the event the winning bid specifies that certain maturities of the Bonds will be subject to mandatory redemption prior to their respective stated maturity dates, in part, from mandatory sinking fund payments, the redemption price shall be equal to 100% of the principal amount of the Bonds so redeemed, plus accrued interest to the redemption date.

Book-Entry-Only Form. The Commission has appointed The Depository Trust Company (**DTC**) as securities depository for the Bonds. The Bonds will initially be issued in book-entry-only form, and bond certificates will be registered in the name of Cede & Co., as nominee for DTC. The State has filed with DTC a blanket issuer letter of representations for all obligations to be issued by the State. Ownership of the Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and DTC Participants, in the principal amount of \$5,000 and multiples of \$5,000.

Payments and Notices. The State will make payments when due of the principal of, and interest on, the Bonds on the dates set forth above to DTC in same-day funds. Similarly, the State will provide notices and other communications, if any, about the Bonds to DTC. Owners of the Bonds will receive payments and notices, if any, through the DTC Participants. The State is not responsible for a failure by DTC or any DTC Participant to transfer payments or notices to owners of the Bonds or to follow the procedures established by DTC for its book-entry system.

Physical Certificates. In the event that the relationship with DTC were terminated and the Commission did not appoint a successor securities depository, the Commission would, at its expense, prepare, authenticate, and deliver to the DTC Participants fully registered certificated Bonds in the denominations of \$5,000 and multiples of \$5,000, in the aggregate principal amount of Bonds and in the same maturities and interest rates then outstanding.

Purpose and Pledge. The proceeds of the Bonds will be used for various governmental purposes. The Bonds are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes, and will be issued pursuant to a resolution adopted by the Commission on October 20, 2010. The Bonds will be direct and general obligations of the State. The full faith, credit, and taxing power of the State will be irrevocably pledged to the payment of the principal of, and interest on, the Bonds, and there will be irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of, and interest on, the Bonds.

Offering of Securities. The State offers to sell these securities by competitive bid. In the jurisdictions of Georgia, Illinois, Louisiana, Nebraska, New York, North Dakota, and Texas, offers of these securities are being made only to, and bids will be accepted only from, persons that are dealers, brokers, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit sharing trusts, and other financial institutions, where the purchaser is acting for itself or in a fiduciary capacity.

No Bond Insurance. It is a condition to the award of the Bonds that no bond insurance be used in connection with the primary market offering of the Bonds. The successful bidder must certify, before the Bonds are delivered, that no bond insurance policy has been obtained on its behalf or on behalf of an account or selling group that it formed with respect to the primary market offering of the Bonds. This requirement does not prohibit insuring the Bonds in secondary market transactions or with portfolio insurance.

Electronic Bidding. Bids must be submitted through PARITY®, which is an independent service offered by i-Deal LLC. Each bidder is responsible for making any arrangements and paying any fees needed to submit its bid through PARITY®. i-Deal LLC is not an agent of the Commission. In addition, the Commission has not reviewed, and is not responsible for, any information provided by PARITY® concerning the Bonds or the terms of sale; the Preliminary Official Statement dated January 5, 2011 (**Preliminary Official Statement**) is the only document authorized to provide information about the Bonds, and this Official Notice of Sale (as it may be amended and restated) is the only document authorized to provide information about the terms of sale. The Commission assumes no responsibility or liability based on a bidder's submission of its bid, including (but not limited to) any failure by PARITY® to correctly and timely transmit information contained in the bid. Further information about PARITY® may be obtained from:

i-Deal LLC
1359 Broadway, FLR 2
New York, NY 10018
212.849.5021
parity@i-Deal.com
www.newissuehome.i-deal.com

The Capital Finance Director intends to share directly with i-Deal LLC all announcements contemplated within this Official Notice of Sale with the expectation that any modifications and supplements to this Official Notice of Sale (as it may be amended and restated) will be reflected in PARITY® prior to the time bids are to be received.

Binding Contract. Each bid for the Bonds submitted through PARITY® shall constitute a valid offer that, if accepted by the Commission, will form a binding contract. Each bid for the Bonds shall specify a purchase price, whether the principal amount payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund installment of a term bond, and the interest rate for each maturity.

Minority Participation. It is the policy of the Commission to take efforts to ensure that at least 6% of the Bonds are underwritten by minority investment firms (as certified by the State). The Commission urges each prospective bidder to obtain from the Capital Finance Director a list of firms so certified and to include such firms as participants in the account formed to bid on the Bonds and as members of any selling group formed for the account. The Commission further encourages certified minority investment firms to submit bids directly and to form accounts to bid on the Bonds. Any firm that wishes to be certified by the State as a minority investment firm may contact the Wisconsin Department of Commerce, Bureau of Minority Business Development at 608.267.9550 or comMBD@wisconsin.gov.

Disabled Veteran-Owned Business Participation. It is the policy of the Commission to take efforts to ensure that a portion of the Bonds are underwritten by disabled veteran-owned investment firms (as certified by the State). Any firm that wishes to be certified by the State as a disabled veteran-owned investment firm may contact the Wisconsin Department of Commerce, Bureau of Minority Business Development at 608.267.9550 or comMBD@wisconsin.gov.

Award. The Bonds will be awarded at the lowest true-interest-cost rate to the State. The true-interest-cost rate for each bid will be determined on the basis of present value by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to the expected dated date, and to the price bid.

All bids shall remain firm for five hours after the time bids are due, and within this five-hour period the Capital Finance Director will provide an oral notification of the acceptance of the winning bid (to be subsequently confirmed in writing) or will reject all bids. The Capital Finance Director may waive any informality or irregularity in any bid or condition of this Official Notice of Sale (as it may be further amended and restated) or reject any or all bids.

In the event two or more bids for the Bonds result in the same lowest true-interest-cost rate, the award will be made to the one with the largest aggregate participation by certified minority investment firms and certified disabled veteran-owned investment firms (measured by the participation amounts in the account formed to bid on the Bonds). In the event two or more of those bids have an equal amount of aggregate participation by certified minority investment firms and certified disabled veteran-owned investment firms, the award will be made to the bid that includes the greatest aggregate number of such certified firms in its selling group. In the event two or more of those bids include the same aggregate number of such certified firms in its selling group, the award will be made to the bid

that results in the highest arbitrage yield for the Bonds. In the event two or more bids result in the same arbitrage yield, the award will be made by the Capital Finance Director by lot.

Required Information

Each bidder agrees that, if requested by the Capital Finance Director before the award of the Bonds, it will provide information concerning participation in the account by, and inclusion in any selling group of, minority investment firms and disabled veteran-owned investment firms. The winning bidder agrees to provide, by no later than the close of business on January 13, 2011, a list of all firms that are participating in the underwriting of the Bonds and the amount of each firm's participation (measured by the participation amounts in the account formed to bid on the Bonds).

Adjustment of Principal Amounts and Purchase Price. After selection of the winning bid, the Capital Finance Director may adjust the principal amount of the maturities listed in the table on page 1, along with the aggregate par amount for the Bonds. The aggregate par amount of the Bonds shall not change by more than 10%. The adjusted principal amounts for each maturity shall constitute the **Final Maturity Amounts**, and in aggregate, such adjusted principal amounts shall constitute the **Final Par Amount**. The adjustments may be needed so that the Bond proceeds to be credited to the Capital Improvement Fund (including any purchase price premium, as determined by the Capital Finance Director) do not exceed authorized amounts. The Final Maturity Amounts and the Final Par Amount will be communicated to the winning bidder by 3:00 p.m. (Central Time) on January 12, 2011.

The purchase price bid by the winning bidder may also be adjusted to reflect the Final Par Amount. Any adjustment made in the purchase price will reflect the change in the dollar amount of the underwriter's spread and original issue discount/premium but will not change the per-bond underwriter's spread calculated for the original bid, based upon the interest rates set forth in the winning bidder's electronic proposal and the initial reoffering price at which the winning bidder reasonably expects to sell each maturity of the Bonds to the Public, as stated in the bid.

The winning bidder may not withdraw its bid or change the interest rates bid or the initial reoffering prices as a result of any changes made to the bid amounts within these limits.

Bid Deposit. As a condition to the award, the winning bidder, upon acceptance of its bid by the Commission, must provide a good-faith deposit, in the amount of \$8,575,000, by wire transfer not later than 1:30 p.m. (Central Time) on January 13, 2011, using instructions provided by the Capital Finance Office. The timely provision of the good-faith deposit shall be a contractual obligation of the winning bidder.

Good-Faith Deposit. No interest will be allowed on the amount of the good-faith deposit. The proceeds of the good-faith deposit of the winning bidder will be applied to the purchase price of the Bonds. In the event that the winning bidder should fail to take up and pay for the Bonds in compliance with the terms of its bid, the Commission, at its option, may retain the good-faith deposit as liquidated damages or, at its further option, may retain the good-faith deposit as partial payment of actual damages or as security for any other remedy available to the Commission. The Commission shall return to the winning bidder the amount of the good-faith deposit on the failure of the Commission to perform in accordance with the terms of this Official Notice of Sale (as it may be amended and restated) and the bid.

Certification of Price. Before the delivery of the Bonds, the winning bidder must provide such information as bond counsel may require to determine, for federal income tax purposes, the "issue price" of each maturity of the Bonds, including a certification concerning whether a bona fide public offering of each maturity was made and a certification of the reasonably expected public offering price of each maturity together with such additional representations as bond counsel may require to verify that it is reasonable to rely on the winning bidder's certification about the reasonably expected initial public offering price. These may include additional representations about the fair market value of each maturity of the Bonds and representations about the actual prices at which each maturity is first sold to the Public. For each maturity for which a bona fide public offering was not made, the winning bidder must provide to the Capital Finance Director and bond counsel the prices at which all the Bonds of the maturity are sold.

Right to Modify or Amend Notice of Sale. The Capital Finance Director reserves the right, before the time bids are to be received, to modify or amend this Official Notice of Sale, including but not limited to changing the sale date and time, aggregate par amount, principal amounts, redemption provisions, and bidding terms. If any modifications or amendments occur, supplemental information with respect to the Bonds and this Official Notice of Sale will be announced through *Thomson Municipal News*, offered as part of the *Thomson Municipal Market Monitor (TM3)* (www.tm3.com), not later than 8:00 a.m. (Central Time) on January 12, 2011. If any prospective bidder does not have access to this service, then the prospective bidder is urged to immediately request telephone notification by contacting the Capital Finance Office at (608) 267-0374 or DOACapitalFinanceOffice@wisconsin.gov. An amendment or restatement of this Official Notice of Sale may be provided as part of the announcement.

Right to Postpone Sale. The Capital Finance Director reserves the right to postpone the date established for the receipt of bids. Any postponement of the sale will be announced through *Thomson Municipal News*, offered as part of TM3 (www.tm3.com), not later than 9:00 a.m. (Central Time) on January 12, 2011. If any prospective bidder does not have access to this service, then the prospective bidder is urged to immediately request telephone notification by contacting the Capital Finance Office at (608) 267-0374 or DOACapitalFinanceOffice@wisconsin.gov. In the event of a postponement, the Capital Finance Director will announce the new date and time that bids for the purchase of the Bonds will be opened, along with any revised bidding terms and date of expected delivery, through *Thomson Municipal News*, offered as part of TM3 (www.tm3.com), no less than 20 hours before the time bids are due for the Bonds.

Closing and Delivery. The closing will occur by telephone at or about 9:30 a.m. (Eastern Time), on or about February 2, 2011. By the day before closing, the State will deliver the Bonds to DTC. The winning bidder must make payment for the Bonds by wire in immediately available funds for credit at U.S. Bank National Association by the same date and time. In the event the closing is delayed beyond 45 days from the date of sale for any reason beyond the control of the State except failure of performance by the winning bidder, the State may cancel the award, or the winning bidder may demand return of its good-faith deposit and thereafter its interest in, and liability for, the Bonds will cease.

Bond Opinion. The legality of the Bonds will be approved by Foley & Lardner LLP (**Bond Counsel**), whose unqualified approving opinion, in the form shown in the Preliminary Official Statement, will be furnished to the winning bidder without cost upon the delivery of the Bonds.

Closing Papers. There will also be furnished upon the delivery of the Bonds the usual closing papers, including a letter stating that there is no litigation pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the Bonds or in any way contesting or affecting the validity of or security for the Bonds. The closing papers will also include a certificate to the effect that the Official Statement, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Tax Matters. In the opinion of Bond Counsel, under existing law interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations.

Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes.

Continuing Disclosure. In order to assist bidders in complying with Section (b)(5) of Rule 15c2-12 under the Securities Exchange Act of 1934, the State will enter into a continuing disclosure undertaking. The undertaking will consist of two existing documents—a Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) and an Addendum Describing Annual Report for General Obligations—supplemented by a Supplemental Agreement. The Supplemental Agreement will specify that the two existing documents apply to the Bonds. All those documents are available to prospective bidders and will be included in the closing papers.

CUSIP Numbers. The Bonds will contain CUSIP numbers, but any error or omission with respect to the CUSIP numbers shall not constitute cause for refusal by the winning bidder to accept delivery of, and pay for, the Bonds in accordance with the terms of its bid.

Bidding Documents. The Preliminary Official Statement, which is available electronically at the web site shown below, is subject to revision, amendment, and completion in a final Official Statement. The Preliminary Official Statement, which is in a form that the State deems final as of January 5, 2011, except for the omission of information described in Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934, is subject to revision, amendment, and completion in a final Official Statement. The Preliminary Official Statement and continuing disclosure undertaking are available electronically from the Capital Finance Office web site at the following address:

www.doa.wi.gov/capitalfinance

Paper copies of these documents may be obtained by contacting the Capital Finance Office by telephone at (608) 266-2305 or (608) 267-0374, by e-mail at DOACapitalFinanceOffice@wisconsin.gov, or by mail at the Department of Administration, Administration Building, 101 East Wilson Street 10th Floor, Madison, Wisconsin 53703.

Official Statements. The Commission will, within seven business days after award of the Bonds and without cost, furnish to the winning bidder up to 500 copies of the final Official Statement. The winning bidder may request, within two business days after award of the Bonds, additional copies of the final Official Statement from the Commission, which request shall not be unreasonably withheld or denied. The Commission will also furnish to the winning bidder an electronic copy of the final Official Statement, which will be in Adobe (PDF) format. Until the date the closing occurs, the State may amend or supplement the Official Statement (and without cost, will furnish the winning bidder copies of any such amendment or supplement) if it is necessary to do so, in light of the circumstances then existing, to correct any statement or information therein or to make the statements or information therein not misleading.

Dated: January 5, 2011

Frank R. Hoadley
Capital Finance Director